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Mr Warwick Anderson
General Manager Network Finance & Reporting
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Proposal to delay final decisions for SA Power Networks, Energex, Ergon Energy, Directlink and Jemena Gas Networks

Dear Warwick,

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety and security of supply.

We appreciate the opportunity to respond to the proposal that the Australian Energy Regulator (AER) delay its final network revenue determinations for the 2020-2025 period in respect of SA Power Networks, Energex, Ergon Energy, Directlink and Jemena Gas Networks.

Energy Consumers Australia supports the proposed delay and agrees with the reasoning given by the AER. In particular, we support the view that a better forecast for inflation will be issued by the Reserve Bank in May 2020 rather than the February 2020 figures. While the extent of the impacts of COVID - 19 continue to be uncertain, the May 2020 forecast can be expected to be more robust in relation to the next regulatory control period.

A delay in making these final determinations will be more likely to result in outcomes that are reflective of the changed conditions for consumers and the energy network businesses. In turn this will increase the likelihood that the determinations can be accepted by consumers. We make the observation that robust regulatory decisions are important in giving certainty to consumers as well as confidence that those decisions better reflect the needs of consumers.

This is even more important in the current circumstances with many consumers facing unprecedented health and financial challenges, including in relation to the affordability of essential electricity and gas supplies.

We also note that network businesses have expressed concerns with the use of inflation forecasts by the AER that have resulted in regulatory decisions that are significantly out of step with actual outcomes. Energy Consumer Australia welcomes the decision of the AER to undertake a review of the best approach to incorporating expected inflation into its regulatory determinations.

Our understanding is that the Reserve Bank will publish its next forecast of inflation on 8 May 2020. We encourage the AER to make its final determinations as early as possible after that date. We note that this will be crucial to the publication by the AER of prices under the Default Market Offer (DMO) for 2020-2021, expected by 31 May 2020. Following that, energy retailers will need to have these new prices implemented by 1 July 2020.

Should the AER conclude that the May inflation forecasts are too late to be taken into account, Energy Consumers Australia believes that the DMO for 2020-2021 for consumers serviced by these network businesses and the network tariffs that these distributors charge retailers should be set using the inflation forecasts published in February 2020.

Thank you for the opportunity to make this submission. Please do not hesitate to contact Jim Wellsmore, Associate Director Research, if you would like to discuss this submission further on 0438 623 543 or jim.wellsmore@energyconsumersaustralia.com.au.

Yours sincerely,

Lynne Gallagher
Chief Executive Officer (Interim)
Energy Consumers Australia